

Senate Study Bill 1024 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON SODDERS)

A BILL FOR

1 An Act providing for a small employer health insurance tax
2 credit for individual and corporate income taxpayers and
3 including retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11E Small employer health
2 insurance tax credit.

3 1. The taxes imposed under this division, less the credits
4 allowed under section 422.12, shall be reduced by a small
5 employer health insurance tax credit equal to twenty-five
6 percent of the federal small employer health insurance tax
7 credit provided in section 45R of the Internal Revenue Code.
8 The tax credit provided in this section is available to
9 eligible small employers.

10 2. An individual may claim the tax credit allowed to a
11 partnership, limited liability company, S corporation, estate,
12 or trust that elects to have the income taxed directly to the
13 individual. The amount claimed by the individual shall be
14 based upon the pro rata share of the individual's earnings of
15 the partnership, limited liability company, S corporation,
16 estate, or trust.

17 3. Any credit in excess of the tax liability is refundable.
18 In lieu of claiming a refund, the taxpayer may elect to have
19 the excess shown on the taxpayer's final, completed return
20 credited to the tax liability for the following tax year.

21 4. For purposes of this section, "*eligible small employer*"
22 means a taxpayer who has ten or fewer full-time equivalent
23 employees, as defined in section 45R of the Internal Revenue
24 Code, whose commercial domicile, as defined in section 422.32,
25 is in this state, and who otherwise meets the requirements of
26 the small employer health insurance tax credit allowed under
27 section 45R of the Internal Revenue Code.

28 Sec. 2. Section 422.33, Code 2013, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 15. The taxes imposed under this division
31 shall be reduced by a small employer health insurance tax
32 credit authorized pursuant to section 422.11E.

33 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
34 retroactively to January 1, 2013, for tax years beginning on
35 or after that date.

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EXPLANATION

2 The federal Patient Protection and Affordable Care Act (Pub.
3 L. No. 111-148) provided for a small employer health insurance
4 income tax credit (section 45R of the Internal Revenue Code)
5 equal to a certain percentage of the cost of health insurance
6 premiums made by an eligible small employer on behalf of its
7 employees. This bill provides for an Iowa individual income
8 and corporate income tax credit in an amount equal to 25
9 percent of the federal credit for an "eligible small employer",
10 which is defined in the bill as a taxpayer who has 10 or fewer
11 full-time equivalent employees, whose commercial domicile is
12 in this state, and who otherwise meets the requirements of the
13 small employer health insurance income tax credit allowed under
14 section 45R of the Internal Revenue Code.

15 An individual may claim the tax credit allowed a
16 partnership, limited liability company, S corporation, estate,
17 or trust electing to have the income taxed directly to the
18 individual, based upon the pro rata share of the individual's
19 earnings. The tax credit is refundable or may be carried
20 forward to the next tax year.

21 The bill applies retroactively to January 1, 2013, for tax
22 years beginning on or after that date.